NEW JERSEY

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

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PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

New Jersey Highlights

Estimated poverty rate, 1985	8.3%
Estimated number of poor, 1985	628,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	56.1%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	81.0%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	74.9%
Percentage of unemployed receiving unemployment insurance, 1986	44.2%
Percentage of state tax revenue from individual and corporate income tax, 1986	36.0%

Optional programs*	State has program?	Number of states with program
AFDC-UP	yes	28
AFDC emergency assistance	yes	26
SSI state supplement	yes	27
Statewide general assistance	yes	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	yes	25
Elderly and disabled	yes	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	no	31

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*Data are from 1987, except where otherwise noted.

NEW JERSEY

An estimated 8.3 percent of the population of New Jersey, or 628,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not. (In another example, New Jersey's service-oriented Realizing Economic Achievement -- REACH -- program is not discussed.)

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

Many of those who are poor in New Jersey receive government assistance, with their eligibility and the level of assistance highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance often receive a level of aid that leaves them well below the poverty line.

Although New Jersey has adopted many of the optional programs to assist low-income households, sizable holes in its safety net remain. The maximum AFDC benefit level for a family of three with no other income equals only a little more than half (56.1 percent) of the poverty line. Even if food stamps are counted as income and added in, maximum combined AFDC and food stamp benefits still fall well short of the poverty line, in large part because AFDC benefits (for families with no other income) dropped more than 50 percent in New Jersey from 1970 to 1987, after adjustment for inflation.

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

New Jersey also provides low benefit levels in some other programs. In the state's general assistance program for poor single individuals a childless couples, benefit levels are $140 a month for an individual and $193 for a couple, or about 30 percent of the poverty line. General assistance benefit levels are about twice as high in New York.

New Jersey does supplement federal SSI benefit levels for the elderly and disabled poor. The supplement levels, however, are modest ($31 a month for an elderly individual in 1987) and leave many SSI recipients below the poverty line.

Poor households in New Jersey encounter other difficulties as well, including a shortage of affordable housing and substantial tax burdens. In 1985, the number of very low-income renter households in New Jersey was more than triple the number of very low-rent housing units. The lack of sufficient low-rent housing appears to be one of the most serious problems facing New Jersey residents who are poor.

Furthermore, New Jersey imposes an unusually heavy tax burden on its low-income households. A family of four must begin paying income tax in New Jersey when its income reaches just $4,000 a year. This income tax threshold, which is less than one-third of the poverty line, ties with two other states for the lowest income tax threshold in the country. By contrast, a family of four in New York begins owing income tax when its income reaches $14,000, and the federal income tax threshold for such a family is about $15,000.

New Jersey also lacks a property tax "circuitbreaker" program to provide property tax relief for low-income households. New York, Pennsylvania, and 29 other states have circuitbreakers. Only eight other states outside the South lack circuitbreakers.

The gaps in New Jersey's safety net are more striking because of the state's very high ranking -- third in the nation -- in per capita income. New Jersey has more financial resources to narrow the gaps in its safety net than have many other states.

These and other aspects of the New Jersey safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in New Jersey well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. New Jersey does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In New Jersey:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $424 per month, or $5,088 per year. This AFDC benefit equals 56.1 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 14th out of all states.[2]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $188 per month. At most, AFDC and food stamp benefits combined can equal

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2. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

81.0 percent of the poverty line.[3] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a single-parent family of *four* without any income, maximum AFDC benefits are $5,856 per year, which equals 50.4 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 51.8 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in New Jersey who incurs deductible child care costs of $106 a month,[4] earnings of $625 a month -- equal to 82.7 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In New Jersey:

- For a single mother with two children who does *not* get a child care deduction, earnings of $519 a month -- equal to 68.7 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency

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3. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

4. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- New Jersey provides AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[5] Some 28 states have such a program (known as "AFDC-UP").

- New Jersey has an AFDC-UP program. (Benefit levels are the same as in the AFDC program for single-parent families.)

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

- In 1986, only 2.7 percent of the AFDC caseload in New Jersey consisted of two-parent families.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

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5. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[6] Moreover, even though New Jersey supplements SSI, the combined SSI assistance is insufficient to lift elderly and disabled individuals out of poverty, in part because the value of the state SSI supplement has fallen by nearly two-thirds since 1974.

In New Jersey:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[7]

- New Jersey supplements the basic federal SSI grant by $31 a month for an individual and $25 a month for a couple. Together, the maximum federal and state supplemental SSI grants equal 81.6 percent of the poverty line for an individual and 93.3 percent for a couple.

- The value of the state supplement, after adjustment for inflation, declined by 62.6 percent for an individual and 65.0 percent for a couple from 1974 (the year SSI started) to 1987.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $33 per month for an individual and $56 per month for a couple.

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6. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

7. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 88.9 percent of the poverty line for individuals and 103.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In New Jersey:

- There is a state general assistance program serving needy people.

- For a household that is employable but without any income, the monthly benefits are $140 for one person or $193 for a two-person household, which are equal to 29.0 percent and 31.3 percent of the respective poverty lines for these households.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many two-parent families do not receive AFDC benefits. (For example, two-parent families with full-time workers are ineligible for AFDC-UP benefits, as noted above.)

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present. Starting in the fall of 1988, states will be required to extend Medicaid coverage to all children up to *five* years of age from these families.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid

income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- New Jersey extends Medicaid coverage to all income-eligible children under 21 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in New Jersey, a family of three with a monthly countable income of less than $566, after deducting medical expenses, is eligible for Medicaid.[8] This income eligibility limit is equal to 74.9 percent of the poverty line for a family of three.

Another key option is the **SOBRA**[9] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC,

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8. In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

9. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[10]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- New Jersey has a SOBRA program, with an income eligibility limit equal to the federal poverty level.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, New Jersey covered 28 out of 32 possible optional Medicaid services for many Medicaid households. However, for households that are covered by Medicaid under the Medically Needy option, only 20 options were covered. Among the services not covered for these households were many services for the mentally impaired.

Elderly and Disabled

In most states, including New Jersey, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a Medically Needy program for the elderly and disabled. Some 34 states have done so.

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10. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

- New Jersey has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $350, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 77.0 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the SOBRA law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- New Jersey has adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in New Jersey.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In New Jersey:

- Some 44.2 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- New Jersey ranked fifth among all states by this measure.
- However, the strength of unemployment insurance coverage was down from 1979 when 62.7 percent of the unemployed in New Jersey received unemployment insurance benefits in an average month.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In New Jersey:

- Average unemployment insurance benefits equaled 37.7 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In New Jersey, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	24.6%
Corporation net income	11.4
General sales	31.3
Selective sales	23.3
License	6.2
Other taxes	3.2

As the table indicates, New Jersey collects just 36.0 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes. In the other 28 states with income taxes, some poor families will continue to owe income tax.

In New Jersey:

- If a two-parent family of four earns $10,000 a year, it will owe state income taxes of $120. By contrast, in the typical (or median) state with an income tax, such a family has a tax liability of $31.

- The income tax burden for a family at this income level is the 10th highest in the nation.

- A two-parent family of four will begin to owe income taxes when its income reaches $4,000, which is 32.7 percent of the estimated 1988 poverty line. By contrast, this family will not begin to owe *federal* income taxes in 1988 until its income reaches approximately $15,000.

While income tax burdens can be significant, for poor households in most states, sales tax burdens are much heavier. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In New Jersey:

- The sales tax rate was 6.0 percent in 1987. In the typical state with a general sales tax, the sales tax rate was five percent.

- 31.3 percent of all state revenue was collected through a general sales tax.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In New Jersey:

- Food and utilities were exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- New Jersey does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Most states with circuitbreakers cover renters as well as homeowners. In these states, the circuitbreaker program assumes that a specified percentage of a

household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- New Jersey does not have a circuitbreaker program.[11]

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 139,169 renter households in New Jersey received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number just of "very low-income" renter households residing in New Jersey totalled 403,040. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 34.5 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 34.5 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

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11. Circuitbreaker information is from 1985.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[12] In New Jersey:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by *229.7 percent*. This represented a shortage of 192,304 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps. New Jersey does have a $33 million program for communities to write down the cost of residential rehabilitation and the construction of affordable housing, but the size of the program is small compared to the size of the low-income housing shortage.

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12. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, New Jersey's share of the federal LIHEAP appropriation equaled 19.8 percent of the estimated total heating and cooling costs[13] of all low-income households in New Jersey which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In New Jersey, only an estimated 42.3 percent of those who are eligible are served under the federally-funded WIC program.[14]

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13. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

14. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- New Jersey does *not* supplement the WIC program.[15]

15. New Jersey does have a WIC "contingency fund" of $750,000 which may be used to cover WIC costs if the state overspends its federal WIC grant for a fiscal year. To the best of our knowledge, New Jersey has not had to dip into the contingency fund and spend state money for WIC.